



Memorandum

TO: CITY COUNCIL**FROM:** Mayor Chuck Reed**SUBJECT:** SEE BELOW**DATE:** September 26, 2014

Approved

Date

9/26/14

SUBJECT: GENERAL PLAN TEXT AMENDMENT FOR URBAN VILLAGE AREAS**RECOMMENDATION**

Approve the General Plan Text Amendment as directed by City Council on October 22, 2013, and add that this policy means that jobs and housing can move together on a case by case basis.

As amended, the text would read:

- i. The Urban Village planning process is not a mechanism to convert employment lands to non-employment uses;
- ii. Other City Policies such as raising revenues for example, which could occur through the conversion of employment lands to non-employment uses shall not take precedent over the jobs first principle; and,
- iii. The General Plan's jobs first principles apply to Urban Villages and that residential conversions are not allowed to proceed ahead of the job creation that is necessary to balance the residential elements of the Village Plan. This policy means that jobs and housing can move together on a case by case basis.

BACKGROUND

The staff report for October 22, 2013 Envision San Jose 2040 General Plan Annual Performance Review concluded, "Requests for conversion of employment lands are nearly non-existent... and developers are providing more viable, mixed-use projects with retail and office in addition to housing. All of this is the result of the fundamental shift that the City made in November 2011 with the adoption of the Envision San Jose 2040 General Plan." After experiencing two decades of General Plan amendments that led to the conversion of more than 1,400 acres of employment lands, portions of those statements resonated well with the current Council.

In the past, hundreds of acres of conversions took place in Midtown and Japantown. We know the results of the Berryessa-Evergreen swap of 1980, and the planning efforts of Evergreen and Coyote Valley that would have converted hundreds more acres of employment lands to housing. Only 15% of the city's land area is dedicated to job-generation compared to 43% of the land area that is in residential use, which contributes to a fiscal challenge where our tax revenues are not keeping pace with cost of City services. It stands to reason why we strategically should protect our employment lands.

The staff report also highlighted the following:

- In 2012, San Jose was home to 982,783 people, representing 54% of County total population
- From January 2012 to August 2013, San Jose issued building permits for 5,200 housing units
- From January 2012 to August 2013, San Jose issued building permits for 680,000sf of office space for Samsung Semiconductors at Tasman in North San Jose, 250,000sf of retail space at Village Oaks in Edenvale, a 329-room hotel at Skyport in North San Jose, and 3 parking garages in North San Jose
- San Jose's J/ER ratio declined over the 2010-2012 time period to 0.85
- Nine Urban Villages were in the planning process (Five Wounds BART, Alum Rock, The Alameda, South Bascom, West San Carlos, Stevens Creek, Valley Fair/Santana Row, Winchester Blvd, and East Santa Clara Street) with Five Wounds BART and Alum Rock rezoning being considered for adoption in 2013 and the rest forthcoming to Council in February 2014
- The Hitachi mixed use transit village was under construction to include 3,000 housing units, 460,000 square feet of commercial/retail uses, and 3.6 million square feet of industrial uses
- The economic rebound was generating increased tax revenues
- Two high-rise residential towers had recently commenced construction in the Downtown

Locked out of the employment land conversion game and unable to process General Plan amendments from 2007-2013, special interest advocates and lobbyists began to complain that the principles of General Plan 2040 were too onerous and that the uncertainty of the development process would stifle private investment in San Jose. The pressure is on to coax the City into "taking advantage" of the "hot" real estate market. But conceptual development proposals for commercial properties in areas designated as Urban Villages offered new residential units in the thousands but no new jobs at all. Those proposals offered no office, hotel, grocery store, or any job-generating uses even in Urban Village areas that could attract private investment to facilitate job growth. There was also an attempt to convert a property zoned for Light Industrial on King Road to low density housing that was subsequently withdrawn for lack of staff and political support.

It was under these circumstances that Vice Mayor Nguyen, Councilmember Herrera and Councilmember Liccardo joined me in October 2013 in recommending a text amendment to strengthen the General Plan Urban Village Strategy. That direction passed with a 9-1-1 vote with Councilmember Rocha opposed and Councilmember Constant absent. It has been a year since the direction was approved.

In November 2013, Council approved the adoption of our first Urban Villages – the Five Wounds Area Urban Village Plans which included the Roosevelt Park, Five Wounds, Little Portugal, and 24th and William Street Urban Villages. The staff report outlined the key issues and recommendations addressed by each of the four Urban Village Plans. Here are some excerpts from that report:

Planning for Jobs

The Envision San Jose 2040 General Plan is a jobs first plan. The goal is to become a regional job center, where the City has 1.3 jobs per employed resident and more people come to San Jose for work each morning than leave for jobs in surrounding cities. One of the primary purposes of an Urban Village Plan process is to determine where and how the planned jobs capacity can be accommodated within a given Village. The employment objectives of each Plan are to retain the existing amount of commercial or employment uses, and then add jobs/commercial square feet on top of this base amount of existing of existing commercial. In Little Portugal for example, the objective is to increase the amount of commercial square feet by almost 70%. Each Urban Village Plan proposes to establish a commercial objective not

only for the overall Plan area but for specific areas or blocks within the Village. The proposed FAR objectives are designed to ensure that it is possible to meet the overall employment objective within a given Village. The Plans do not propose specific objectives for the different types of commercial or employment uses but these uses are generally envisioned to be a mix of retail shops and services, and professional and general offices. Adjacent to the planned Alum Rock BART station, however, the Five Wounds Plan ultimately envisions, with the planned completion of the Alum Rock BART station, large offices occupied by large tenants.

Planning for Housing

Each of the four Urban Villages has a planned housing capacity established by the General Plan. The proposed Urban Village land use diagram and policies are structures to ensure that this housing capacity could be built, but unlike commercial or employment uses, this housing capacity is not established as an objective to be achieved. Most of the properties within the four Urban Villages that have existing commercial uses and are planned for commercial growth would also support adding housing development to these commercial uses in a vertical or horizontal mixed use format. Unless an Urban Village has exceeded its commercial objective for a given area, residential development that converts employment lands to housing and does not include the required commercial component would not be supported. Given the historic and anticipated continued demand for housing in San Jose and Silicon Valley, it is anticipated that allowing residential only development would result in the long term loss of commercial and employment lands, thereby detracting from the achievement for the Village Plans and the General Plan's employment goals.

I agree with these statements reflecting the goals of the General Plan. Council members agreed as well, as evidenced by the unanimous adoption of San Jose's first Urban Village Plans.

Recently, there seems to be confusion and concern about Recommendation iii in the October 22, 2013 text amendment, particularly with the language that reads "residential conversions are not allowed to proceed ahead of the job creation." This language, however, closely mirrors that of staff during their presentation of the Five Wounds BART Urban Village Area Plans.

There are concerns that the intent of the text amendment is to preclude residential development and affordable housing from moving forward in the Horizon 1 Urban Village areas, which could then potentially impede certification of the City's Draft Housing Element. Some housing advocates are concerned the text amendment might preclude residential development and affordable housing from moving forward in the Horizon 1 Urban Village areas and impede certification of the City's Draft Housing Element. Others argue that housing is a catalyst for new business, that the text amendment adds an element of inflexibility, and that there is value to harnessing the current market interest for housing. These comments are substantially inconsistent with our historical experience with the jobs and housing imbalance, and represent a backing down of our strong principles for job generation, economic vitality and fiscal stability. Advocates for conversion of employment lands to residential have long been trying to get us to give up on our goal of balancing jobs and housing despite a negative impact to the City's fiscal stability. Their arguments were rejected by the General Plan Task Force, unanimously, and the City Council, unanimously, when GP 2040 was approved. The same arguments today cannot be allowed to undermine the jobs first principles of the General Plan.

At the Council meeting on September 23rd, I spoke of how our jobs first principle is working and how goals for jobs and housing are actually being realized in village areas. The following examples of real world, market driven and privately financed projects that are currently under construction, approved or in the permit process that have both jobs and housing moving together:

- Hitachi Mixed Use Transit Urban Village on Cottle Road
- The Chandler Pratt Development on The Alameda
- The Cheim Property Development proposal on West San Carlos

These types of projects are what the Urban Village text amendment is meant to encourage. To make that intent clear, another sentence to the text amendment should be added so that it reads as follows:

- iii. The General Plan's job first principles apply to Urban Villages and that residential conversions are not allowed to proceed ahead of the job creation that is necessary to balance the residential elements of the Village Plan. This policy means that jobs and housing can move together on a case by case basis.